

WATER/DON:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4326

March 6, 2002

R E S O L U T I O N

(RES. W-4326), CALIFORNIA WATER SERVICE COMPANY (CWSC), PALOS VERDES DISTRICT. ORDER AUTHORIZING AN OFFSET RATE INCREASE OF \$1,183,400 OR 5.8% IN ADDITIONAL REVENUE DUE TO PURCHASED POWER COSTS.

SUMMARY

By Advice Letter 1499-W, filed November 28, 2001, and rejected December 24, 2001, and Advice Letter 1507-W received December 28, 2001, CWSC seeks to increase rates by \$1,183,400 or 5.8% to cover expenses incurred in purchased power and related costs. The increase will not result in a rate of return greater than last authorized for CWSC.

BACKGROUND

CWSC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to adjust rates to offset: (1) A \$1,170,300 increase in purchased power expense; (2) a \$12,100 increase in local franchise taxes; and (3) a \$1,000 increase in uncollectibles. CWSC serves about 26,200 customers in the Palos Verdes District.

Pursuant to Commission Decisions D.01-03-082, and D.01-05-064, Southern California Edison Company (SCE) and PG&E were granted rate surcharges of \$0.01 and \$0.03 per kilowatt-hour due to the recent increase in wholesale electricity costs. As a result of the surcharge granted to SCE, CWSC is seeking to increase its water rates by \$1,170,300 to offset the estimated increase in purchased power.

NOTICE AND PROTESTS

Notice of the proposed rate increase was published in “The Palos Verdes Peninsula News” on May 26, 2001, a newspaper of general circulation. The Water Division received no letters objecting to the increase.

DISCUSSION

Advice Letter 1499 was rejected because Resolution W-4294 allows offset rate increases only for Class A water utility districts that are within their rate case cycles and are not over earning on a weather normalized means test basis (pro-forma earnings test). However, the resolution did not anticipate the peculiar facts presented here. The Palos Verdes district’s last General Rate Case was adopted on April 23, 1997. In D.00-05-047, the Commission approved the merger of CWSC with Dominguez Water Company, Kern River Valley Water Company, and Antelope Valley Water Company, and expressly deferred a general rate application for the combined districts of Palos Verdes and Hermosa-Redondo until 2001 for rates effective in 2002. Accordingly, CWSC’s application for a general rate increase in year 2000 for the Palos Verdes District was rejected in D. 01-08-039.

Although Decision 01-08-039 did not approve a change in rates, it did set a base case for the Palos Verdes District, which was to be used to assess the Synergies that result from the merger. This base case provides adopted quantities that can be used in this offset filing. Using these figures, the pro-forma rate of return is 8.96%. This is lower than the 9.02% authorized in the district’s last true GRC (D.97-04-057). From this information, it is concluded Palos Verdes is within its rate case cycle and is not over earning on a weather normalized means test basis.

The requested expense offset will result in \$0.1477 increase in the quantity rate per Ccf (One Ccf equals 100 cubic feet) for metered rate customers.

As with all offsets, CWSC must track incremental revenues and incremental costs in a balancing account to assure only dollar-for-dollar recovery.

To ensure that purchased power is being used economically, the Office of Ratepayer Advocates (ORA) reviewed the latest pump efficiency tests for the Palos Verdes District during the most recent general rate case proceeding and found the results to be satisfactory.

Service is satisfactory. There are no Commission orders requiring system improvement, nor are there significant service problems requiring corrective action in the Palos Verdes District.

FINDINGS

The Commission finds, after investigation by the Water Division, that the rate increase hereby authorized is justified, and the resulting rate is just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. California Water Service Company is authorized, five days after the effective date herein, to make effective the revised rate Schedule No. PV-1, General Metered Service attached to Advice Letter 1507-W and to concurrently cancel the presently effective rates.
2. California Water Service Company is directed to maintain a balancing account as required by Public Utilities Code Section 792.5.
3. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on March 6, 2002; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director